Board of the USTAR Governing Authority

Location: Would Trade Center at City Creek
60 East So Temple, Salt Lake City, Utah
3rd Floor Canyonlands Conference Room

Thursday, February 5th
3:00-5:00 PM

AGENDA
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TIME	ITEM	ACTION	MATERIALS	PRESENTER
3:00 p.m.	Welcome/Announcements/Binders	Information		Greg Bell
3:05 p.m.	Approval of Meeting Minutes	Vote	Handout 1	Greg Bell
3:10 p.m.	TOIP Presentation	Information	Handout 2	Mary Cardon
3:15 p.m.	Legislative Update	Information		Greg Bell
3:20 p.m.	Audit Recommendation: Changes/Implementations	Information	Handout 3	Audit Commitee
4:00 p.m.	University Budget Discussion/Approval	Info/Vote		Ivy Estabrooke
4:30 p.m.	Closed Meeting: Discussion of Professional Competence	Closed Meeting		Ivy Estabrooke
4:55 p.m.	Other Business	Information		GA Members
5:00 p.m.	Meeting Adjourn			Greg Bell

Board meeting of the USTAR Governing Authority
02-05-2015 Meeting Minutes – Pending Approval

Governing Authority: Greg Bell (Chair), Richard Ellis, Val Hale (Vice Chair), Rich Lunsford (by phone), Derek Miller, Susan Opp, and Florian Solzbacher

Excused: Ron Mika

USTAR: Cheralyn Anderson, Justin Berry, Linda Cabrales, Mary Cardon, Ivy Estabrooke (Executive Director), Jim Grover, Elenor Heyborne, Jillian Hunt, Spencer Madsen, Ryan Streams, and Alan Walker

Others Present: Jeff Collings (USU), Jeff Edwards (EDCUtah), Susan Eisenman (AGO), Corinne Garcia (U of U), Greg Jones (U of U), and Tom Parks (U of U)

Mr. Bell welcomed and opened the meeting. He mentioned Mr. Lockwood and Mr. Ashdown have handed in their resignation. Members of the Governing Authority reviewed the minutes of the January 7th meeting.

Mr. Miller motioned for the approval of the January 7th meeting minutes. Mr. Hale 2nd the motion. Mr. Bell called for a vote and the vote was unanimous.

Ms. Cardon introduced herself as the director of the SBIR – SSAC TOIP office. They are one of the 5 TOIP regions. They run statewide and assist all Utah businesses with all aspects of SBIR and STTR grants. 2.5 billion dollars in grants that provide non-equity funds to any small business that qualifies and has a technology meeting the government needs is mandated by congress. SBIR stands for small business innovation research, which is 2.8% of external research over a hundred million dollars. STTR is a smaller bucket; for any agency spending over 1 billion dollars, they have to put in 0.4%. There are 11 agencies who participate in the SBIR and 5 agencies who participate in STTR.

The SSAC was formed as one of the original five Technology Outreach Innovation Programs. When they had a budget cut Susan started BiG and they remained where they were located. She introduced her team Linda Cabrales and Breanne Johnson. They have 10.7 million dollars in non-equity funds and a win rate of 28%. A win is either a phase 1 and/or phase 2 grant. We have 34 awards and 130 companies capable of winning. Ms. Cardon mentioned several of the companies they have worked with and their wins. We work with anyone and help them understand the process and what it takes. We help with technical proposal, finding your team, making sure your commercialization is on place, narrative and summary and budget. We lead seminars statewide teaching how to write. We collaborate with the small business resource centers statewide. There is a 75 dollar annual fee. Some of the companies who have won are located throughout the state. Our team has a strong reputation. Mr. Hale questioned if they are the only office who focuses on these grant. Ms. Cardon responded they are one of 14 programs like this throughout the nation. They focus on where their technology is and how they can help move it forward. She mentioned they are located at the SLCC Miller Business Center which is geared to the small business. They are housed with MEP, PTAC, and SBRC. The U of U and

USU both have a person dedicated to helping with SBIR and STTR grants. However, they do assist and carry a good relationship with them.

Mr. Bell mentioned many people do not know of the resources available to them. Some of these funds are not being utilized because people do not know they exist. Dr. Solzbacher mentioned many of the small businesses have a hard time moving forward due to the lack of knowledge of rules and processes when applying for these grants. Mr. Jones mentioned 28% wins is very successful.

Mr. Lunsford joined the meeting via phone.

Mr. Bell spoke on the legislature. Sen. Shiozowa is the senate co-chair of the appropriations committee and the house co-chair is Rep. Barlow. Sen. Harper was very critical last year and wanted to do away with USTAR. Dr. Estabrooke and Mr. Belltestified in support of our appropriations request. There were two highly placed university representatives and they were disgruntled about moving the USTAR TOIP employees back to the State of Utah payroll. Rep. Wilson, who was supportive last year, asked why do we need USTAR and why don't we fund the Universities directly. Mr. Bell answered there are two reasons why the legislature would not give the funds to the research Universities directly. Legislators would not give the funds directly to the research universities and we are in the second year of rebuilding and reanalyzing of the program. They wanted an answer and we are hoping to give them one next year of who is USTAR, where is USTAR going and how effective is USTAR. We are in our second audit and we are complying with the 15 points from the previous audit. We brought in Koa Perlac our own internal auditor to help look at our processes, collect all the documentation, and understand both our budgets as well as the Universities' budgets. The expectations that USTAR was going to roll out companies in four to six years that would be able to hire thousands were a misassumption. We are finding the timing of research is much longer and the end event of a successful roll out is complex with IP, funding, venture capital and angel capital issues. We have learned we are investing into projects to early before they are ready to commercialize. Identifying projects in the future that is closer to commercialization.

To pull the plug on USTAR today, the legislators still have a large part of their money supporting professors who are tenured at these Universities. The Universities have taken a large risk on hiring these professors. Dr. Estabrooke gave examples of how bigger universities would be able to hire more in a competitive area and to create a bigger incentive. USTAR is supplementing these salaries. It is not a simple operation to do away with USTAR. The professors and universities rely on us. There are some groups who are underperforming or do not fit our parameters anymore. We need another year to organize and finalize our documentation to get a real understanding of where we are. USTAR was sold to the legislature as a three prong approach for the two research universities. However, people wanted to have outreach programs for the other regional universities. Those have been difficult relationships because these employees have multiple responsibilities. Mr. Hale stated the legislators have a huge respect for the Chairman and the rest of the board. Dr. Solzbacher asked if there was a way for the board to reach out and be more engaging with the legislature. Dr. Estabrooke mentioned staff is working on a couple of events of the next year to provide more engagement with them.

Mr. Bell stated they cut all of the agencies by 2% going into the legislative session. We need to decide if USTAR will fight the budget cut or accept it. During the year we need to inform and

work with the legislators. We are being transparent and Mr. Bell is working with an entirely new board, and all the projects are being looked at with fresh eyes. We have an active board who will be working on finding the future of USTAR. Mr. Hale mentioned the board is taking an honest look at what is happening with the program. Mr. Bell also mentioned we will have a third party review to validate our program and benchmark where the USTAR program sits amongst other programs. We are meeting with legislators to walk through our yearly audit the following day. We will have a chance to respond stating we are working towards complying with all of the recommendations. Dr. Solzbacher asked in terms of the opinion that is generated of the value of the USTAR program, are you trying to educate more about what they program is doing? Dr. Estabrooke stated the overall feel will be positive and we are in progress of implementing recommendations. There is a challenge with the statute being vague and the legislators expecting us to align directly with the statute. It is clear on some of the metrics. Having a new prospectus and bench marking study will help shape what the auditors are looking for. The auditors have been assigned by the president of the senate who has assigned them to conduct a new audit for the next two years. We are hoping this will allow us to start working with the auditors up front to help us better align.

Mr. Bell stated we have to first get clarity with the universities on our account. Our top priority is that we and the universities have a transparent understanding of the funds. We need to find a third party evaluator to do the benchmark study and prospectus. Dr. Estabrooke mentioned we have put out the RFP and will be discussing the proposals the following week. There was a cap on cost and timelines discussed in the RFP. We should have this by the time the next audit starts. The challenge will be establishing the metrics and measures we use for FY15. The audit subcommittee will meet this month and look at the other state metrics as well as what is in the statute. FY16's metrics will be better informed by the benchmark study. Dr. Solzbacher questioned how we make sure we do not artificially create a metric that will reflect poorly. Mr. Bell responded next year we will present a bill to remodel what the statute states on the metrics are based on the prospectus.We have to look at pivotal people in the legislature to help inform others.

Dr. Estabrooke spoke about the audit recommendations from both of the audits we have had and where we are in implementing. The FY13 audit had 15 recommendations and we can divide them into four categories. A few of the recommendations were noted as implemented however, some of them are still in the process of being fully implemented. At the next Governing Authority meeting, the audit subcommittee will have metrics and methodology processes to adopt to help clarify the information needed from the universities. The next step we recommend USTAR develop a measure for high quality jobs. This came up as an issue before SB62 was passed. We have as our measure, using the same as GOED, that a high quality job is 125% of the counties wages. Ms. Eisenman mentioned having the 125% in statute it is considered law and if we wanted to change the language we would have to create a bill for it. Mr. Bell mentioned job formation is attenuated. We thought when USTAR started the process would be much shorter to creating more jobs. We are not sure what role USTAR played in the job. Mr. Miller stated a job is not a single moment in time. We are not sure how long that job remained. Dr. Estabrooke mentioned the statute is not that precise on how to measure this data. We currently have an RFP out to develop a survey to collect this data. Mr. Miller recommended we not go to the legislature to ask for a change on jobs.

Mr. Parks mentioned we would need to write into the license agreements for them to know the specific wages of all the employees of jobs created. Ms. Opp stated you could ask for an average wage and number of employees hired. Dr. Estabrooke mentioned we put out a survey this year for all the companies TOIP interacted with. We had a 48% response rate. Ms. Eisenman stated the statute says USTAR is required to report the number of jobs and corresponding salary ranges created by the USTAR initiative including the number of jobs the employee is expected to be employed for at least one year and earns 125% prevailing wage of the county where the employee works. We can create a rule to help define the statute more. Mr. Parks stated one of the issues that come up in trying to count jobs at the university is knowing which ones are created due to USTAR . We want to claim as many jobs as possible for USTAR. For the audit, how do we keep the numbers of jobs correct from companies who license USTAR IP. Mr. Ellis mentioned we could benefit from using GOED's strategy and adapting it to better fit the USTAR Initiative. Mr. Bell stated we work with the auditor and the benchmark agency to modify and measure the data.

Dr. Estabrooke spoke on the additional recommendations focused on clarifying processes, clarifying definitions, developing methods and metrics. We explained to the legislature how we are approaching these. One of our biggest challenges is how we characterize how much USTAR support constitutes having some return to the state. We will be working with the universities to define this. Another recommendation is to have the Governing Authority approve the university budgets and review projects on an annual basis. We have started this process this year. New recommendations for FY14 audit all focusing on clarifying how we are counting and reporting metrics forms and timeframes. We are working with the universities to comply with these timelines.

Dr. Estabrooke spoke to the members of the board to discuss the spreadsheet for the U of U FY15 budget. Through the course of the fall we have spent time going through the MOUS, startup packages and financials for both USU and U of U. We have come to an agreement of what the MOUs, what salary tails are, what the remaining startup funds are and the budget request. One of the challenges is some of the statutory requirements that are in place for accounting will be able to be done on the back end of the process. However, the way research funds and startup packages are managed, it does not align to forecasting how funds will be spent. Commercialization specifics for each team, potential impact data, and milestones each team is making. We have made significant progress in creating transparency for the Governing Authority in the budget process. Dr. Estabrooke would recommend the GA approve the budget. Mr. Jones stated we have been over the number with both the university and USTAR headquarters. Mr. Bell mentioned the legislators want more transparency and we agree with universities; next year we will be able to move forward. Dr. Estabrooke mentioned we do have some MOUs on faculty that have expired. She recommends when MOUs expires, we evaluate the individual PI's by looking at their productivity through metrics we set.

Dr. Solzbacher stated his conflict of interest is he is employed by University of Utah. Mr. Bell thanked Dr. Solzbacher for disclosing his conflict of interest and invites him to vote.

Ms. Opp motioned to approve the FY15 budget for the University of Utah. Mr. Ellis 2nd the motion. Mr. Bell called for a vote and the motion passed unanimously.

Dr. Estabrooke stated we would like to enter into a closed meeting to discuss the professional competency of personnel.

Mr. Miller motioned for a closed meeting to discuss the professional competency of personnel. Mr. Hale 2ⁿᵈ the motion. Mr. Bell called for a vote and the motion passed unanimously.

Meeting will now go into a closed meeting 02/05/2015 at 4:35 pm.

Mr. Ellis motioned to end the closed session. Dr. Solzbacher 2ⁿᵈ the motion. Mr. Bell called for a vote and the motion passed unanimously.

Meeting will now open 02/05/2015 at 4:55 pm.

Mr. Bell asked the members of the Governing Authority if anyone has candidates for the two positions open on the board. He asked if the monthly board meetings are helpful, informative, and efficient. Mr. Miller questioned if it would be possible to hold a portion of the meetings telephonically. Ms. Eisenman mentioned we need to create a resolution or a rule in order to conduct electronic meetings. Mr. Bell mentioned we are working with legislators to change the statute requiring the Governing Authority to hold monthly meetings.

Mr. Miller motioned for the meeting to adjourn. Mr. Hale 2ⁿᵈ the motion. Mr. Bell called for a vote and the motion passed unanimously.